

**The longstanding debate over value and growth stocks has been a prominent topic in financial markets for decades. While both styles offer compelling arguments and have experienced periods of relative outperformance, the choice between them is not clear-cut.**

#### CONTRIBUTORS

BRADEN CLARK  
FRANK BENHAM, CFA, CAIA  
STEVE MACLELLAN, CFA

**The paper focuses on value versus growth in the US. It examines the distinctions between the two styles, comparing the historical performance and highlighting the cyclical and extended periods of leadership by each style. The last section deals with implementation considerations.**

### Key takeaways

- It is unclear to what extent a “value premium” still exists. Although the widely referenced Fama-French universe continues to indicate long-term outperformance of value stocks in the US, this dataset does not accurately reflect practical investment opportunities. In universes that are investable, growth stocks have outperformed over the long run, with this trend becoming more pronounced during the last 15 years.
- Since 2007, growth indices have exhibited increased concentration within the technology and communication services sectors. This trend is chiefly attributed to significant expansion in the technology industry, the accelerated performance of the “Magnificent Seven,” and a sustained period of relatively low interest rates.
- The historical performance of value and growth indices shows that leadership between these investment styles is cyclical, with cycles spanning several years or decades. Market leadership alternates between growth and value stocks over extended periods. As a result, the occurrence and duration of such cycles are characteristic features of these indices.
- Investing in value and growth equities presents implementation issues. Investors should consider these factors when constructing a portfolio, as the decision between active and passive management in value or growth equity mandates is not straightforward.

## What are value and growth stocks?

Investors typically distinguish value and growth stocks by differences in their relative valuations and growth expectations, though no single definition is universally accepted. Value stocks tend to trade at lower price multiples, for instance, price-to-earnings (P/E), price-to-book (P/B), and price-to-sales (P/S). These lower valuation multiples often reflect investor skepticism, perceived earnings risk, or slower expected growth. However, value stocks may offer potential for higher returns if fundamentals improve or market expectations adjust. In contrast, growth stocks typically command higher valuation multiples, signaling market expectations for higher earnings or revenue growth. However, since much of the anticipated success of growth stocks is already reflected in their prices, these stocks may be more vulnerable to valuation compression if future results fail to meet expectations.

However, as Benjamin Graham emphasized, “value” is less of a permanent label for a stock than a discipline applied by investors.<sup>1</sup> A company may be classified as value or growth at different points, depending on how its price and fundamentals evolve over time. Figure 1 below summarizes the typical characteristics associated with each style.

Characteristics	Value	Growth
Valuation Multiples (e.g. P/E, P/B, P/S ratios)	Lower	Higher
Earnings Growth Expectations	Slower or less certain	Fast and expected
Dividend Yield	Higher	Lower or no dividend
Sectors	Financials, Healthcare, Industrials	Technology, Communication Services, Consumer Discretionary

<sup>1</sup> Source: Benjamin Graham, “The Intelligent Investor: The Definitive Book on Value Investing”, rev. ed., with commentary by Jason Zweig (New York: HarperCollins, 2006).

**FIGURE 1**  
Typical Characteristics of Value and Growth

Source: Meketa Investment Group, 2025.

Different index providers use different methodologies in defining value and growth. In this paper, we primarily examine the Russell style indices to evaluate growth and value in the US market given its broad use by institutional investors. We supplement the Russell figures with Fama and French due to its longer available history and established use in academia.<sup>2</sup>

### Russell Methodology

The Russell style indices divide constituents based on value and growth scores derived from multiple factors.<sup>3</sup> A company can appear in both indices if it exhibits characteristics of both value and growth styles. Every stock in a broad index like the Russell 1000 or Russell 2000 is allocated annually to growth, value, or in some cases, both.

<sup>2</sup> We analyze the returns for Fama-French, but since it is not an investable index, we focus on other index families. We also use the IIA international indices and the MCSI indices to analyze international returns; however, the focus of this paper is primarily on US equities.

<sup>3</sup> Source: Russell US Indices Construction and Methodology, July 2025.

- Growth Factors:
  - Two-year I/B/E/S forecasted earnings growth<sup>4</sup>
  - Five-year historical sales-per-share growth
- Value Factors:
  - Book Value to Price

## Fama-French Methodology and Background

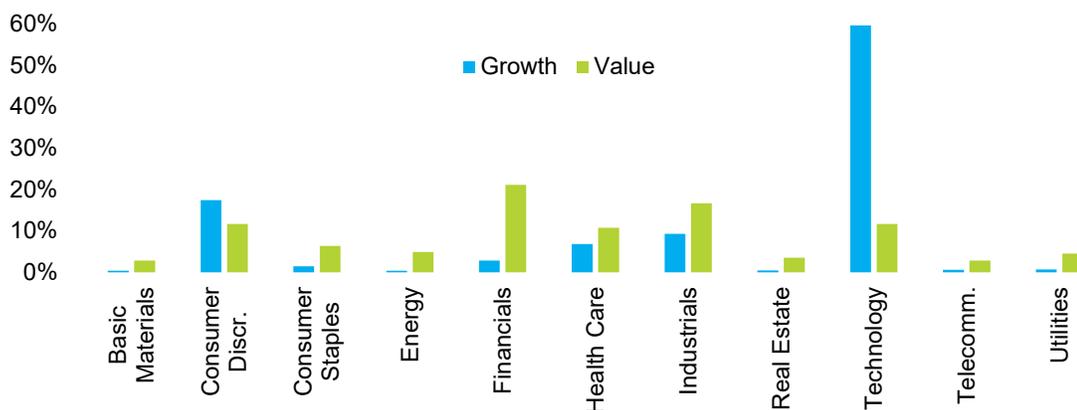
While most value and growth indices date back at most to the 1970s, the Fama-French data series stretches back to 1926 and represents one of the first efforts to systematically separate value and growth stocks. These indices were created by Eugene Fama and Ken French and are available for both small and large capitalization stocks. The Fama-French indices employ an academically grounded approach that focuses on the book-to-market value ratio to annually sort stocks into value and growth categories.<sup>5</sup>

- Value Stocks: Top 30% of book-to-market value ratios (i.e., lowest price-to-book ratios)
- Growth Stocks: Bottom 30% of book-to-market value ratios (i.e., highest price-to-book ratio)

The focus on the top and bottom 30% (and exclusion of the middle 40%) makes the Fama-French series unique relative to indices constructed by common providers such as Russell, S&P, and MSCI. Subsequent research suggests that Fama-French may overstate the value premium, potentially due to its index construction methodology, survivorship bias, and its inclusion of smaller cap and microcaps (see the appendix for more information).<sup>6</sup>

## Sector and Constituent Differences

There are a few meaningful differences in sector weights between value and growth stocks. For example, value is more heavily weighted in interest rate-sensitive sectors such as financials and industrials in (see Figure 2). Conversely, growth is more heavily weighted in technology and consumer discretionary. These sector weight differences have the potential to translate into meaningful return differences.



**FIGURE 2**  
Breakdown of Russell 3000 Growth vs. Value Indices by Sector

Source: Russell 3000 Growth and Value Index Factsheets, as of July 31, 2025. Note that these sectors are in ICB classification not GICS.

<sup>4</sup> I/B/E/S is the Institutional Brokers' Estimate System, which collects and aggregates earnings estimates.

<sup>5</sup> Source: Fama-French Data [https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/Data\\_Library/f-f\\_factors.html](https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/Data_Library/f-f_factors.html), as of July 31, 2025.

<sup>6</sup> Sources: 1) Kothari, Sagar P., Jay Shanken, and Richard G. Sloan. "Another look at the cross-section of expected stock returns." *The Journal of Finance* 50, no. 1 (1995): 185-224. Kothari, Shanken, and Sloan argue that a substantial part of the value premium could be due to survivorship bias. 2) Alquist, Ron, Ronen Israel, and Tobias J. Moskowitz. "Fact, Fiction, and the Size Effect." May 25, 2018. This paper outlines that the value premium is disproportionate amongst small caps and illiquid microcaps. 3) Fama, Eugene F., and Kenneth R. French. "Dissecting Anomalies." *The Journal of Finance* 63, no. 4 (August 2008): 1653-1678. This paper also gives evidence that the value premium is more prevalent in small and microcaps. 4) Arnott, Robert, Campbell R. Harvey, Vitali Kalesnik, and Juhani T. Linnainmaa. "Reports of Value's Death May Be Greatly Exaggerated: Fact, Fiction, and the Value Premium." *Financial Analysts Journal* 77, no. 1 (2021): 44-69. This paper explains that the historical value premium may be overstated and value's recent "death" may be exaggerated, noting that the traditional book-to-market ratio measure of value is distorted due to intangibles and R&D investments.

Another difference between the two indices is the breakdown of the top companies in the index (see Figure 3). Note that a company can appear in both indices if it exhibits characteristics of both styles, though in different weights. For example, Amazon, Alphabet and Meta appear on both lists as of July 2025, but they have a much larger weight in the growth index.

Growth		Value	
Nvidia	13.1%	Berkshire Hathaway	3.0%
Microsoft	12.4%	JP Morgan Chase	2.8%
Apple	9.6%	Alphabet	2.5%
Amazon	5.1%	Amazon	2.1%
Meta	4.4%	Exxon Mobil	1.7%
Broadcom	4.3%	Johnson & Johnson	1.4%
Alphabet <sup>7</sup>	4.1%	Walmart	1.3%
Tesla	2.7%	Procter & Gamble	1.2%
Eli Lilly	1.9%	Meta	1.0%
Visa	1.8%	Bank of America	1.0%
<b>Total</b>	<b>59.3%</b>	<b>Total</b>	<b>18.0%</b>

**FIGURE 3**  
**Top 10 Companies**  
**by % of Total Markets**  
**Capitalization**

Source: FactSet as of July 31, 2025.  
Indices: Russell 3000 Growth and Value.

<sup>7</sup> Note that this represents the sum of Alphabet's Class A and C shares.

The composition and concentration of the top constituents highlight the significant differences between the growth and value indices. The growth sector reflects a strong tech bias, with seven out of the top ten constituents belonging to the technology sector, and two others being tech adjacent. This contrasts with just three of the value index's top ten being in the tech sector, and at much smaller weights as noted above.

This also shows how the indices can change over time. In mid-2007, at the start of the most recent growth cycle, the growth index's top ten companies represented only 15.7% of the index.<sup>8</sup> As of July 31, 2025, the top ten accounted for 59.3% of the index - a result of the significant growth of many companies, most notably the "Magnificent Seven" (Nvidia, Microsoft, Meta, Apple, Amazon, Alphabet, and Tesla).<sup>9</sup> These seven companies represent 51.4% of the index, a stark difference to mid-2007, when only Microsoft and Alphabet had positions in the top ten. Conversely, the value index has become less concentrated since mid-2007, when the top 10 stocks in the index held a collective weight of 26.7%. Moreover, the Russell 3000 Value index includes many more constituents than the Growth index - 2,302 for Value compared to 1,482 for Growth.<sup>10</sup> The same trends hold true for similar indices from other index providers, as well.<sup>11</sup>

<sup>8</sup> Source: FactSet as of July 31, 2024. Indices: Russell 3000 Growth.

<sup>9</sup> See "The Magnificent Seven", Meketa, February 2024 for a deeper analysis of this group's effect on equity markets.

<sup>10</sup> Source: Russell 3000 Growth and Value Factsheets, as of June 30, 2025.

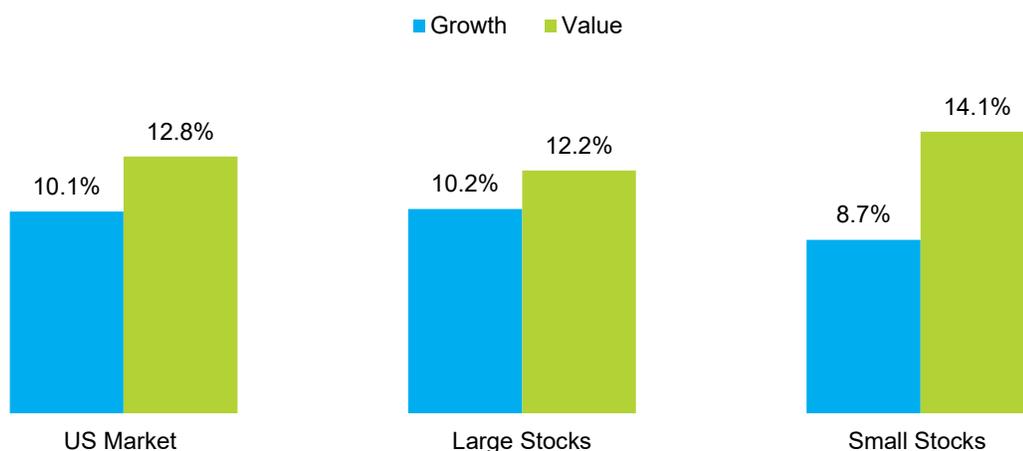
<sup>11</sup> As of July 31, 2025, the S&P Value Index had 398 constituents compared to 212 for S&P 500 Growth Index. Source: S&P 500 Growth and Value Factsheets.

## Historical performance

In a perfectly efficient market, differences in price multiples among stocks would correspond to differences in expected future cash flows. However, markets are not always efficient. Behavioral biases, market sentiment, imperfect information, and structural shifts in the economy can lead to extended periods of divergence of performance in the two styles. Moreover, much has been made of behavioral biases serving as the historical basis for the “value premium.”<sup>12</sup>

### Fama-French Returns

From July 1926 through June 2025, Fama-French shows that value stocks have delivered higher average annualized returns than growth stocks in both the large and small capitalization markets. Over this 99-year period, value stocks have produced an average annualized return of 12.8%, higher than growth stocks’ average of 10.1% (see Figure 4). Within the small capitalization market, this disparity is even larger, where value stocks outperformed growth by 541 basis points per annum.



**FIGURE 4**  
**Average Annual Returns for Fama-French Value and Growth Indices**

Source: Fama-French Data [http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data\\_library.html](http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html). Top 30% Book to Market used for Value and Bottom 30% used for Growth. For the period July 1926 to June 2025. Fama-French data defines large and small cap by market capitalization ranking.

While US value stocks in Fama-French have produced significantly higher average returns, they have exhibited higher volatility than growth stocks. From July 1926 through June 2025, Fama-French shows that US value stocks exhibited an average annualized volatility of 24.9%, while the average for growth stocks was 18.4%.

### Russell Returns

As shown above, the Fama-French data indicates that there was a value premium for the whole 99-year period. Moreover, their data suggest that this premium has also persisted since 1979, the period coinciding with the inception of the Russell indices. In contrast, the Russell 3000, S&P 500, and MSCI US style indices all show the opposite trend over the shorter time period since their inceptions (see the appendix). From January 1979 to July 2025, the Russell 3000 Growth Index returned an annualized average of 12.2% compared to 11.7% for value. Within the large cap space, this trend is more pronounced, with growth outperforming value by approximately 90 basis points per annum.<sup>13</sup> However, for small cap stocks, value has outperformed growth by over 2% annualized.

<sup>13</sup> Source: Investment Metrics, data as of July 31, 2025. Indices: Russell 3000 Growth and Value, Russell 2000 Growth and Value, Russell 1000 Growth and Value. For the period January 1979 to July 2025. Performance for Russell 1000 Growth is 12.5% compared to 11.6% for Value. Russell 2000 Growth returned 9.4% to 11.9% for Value.

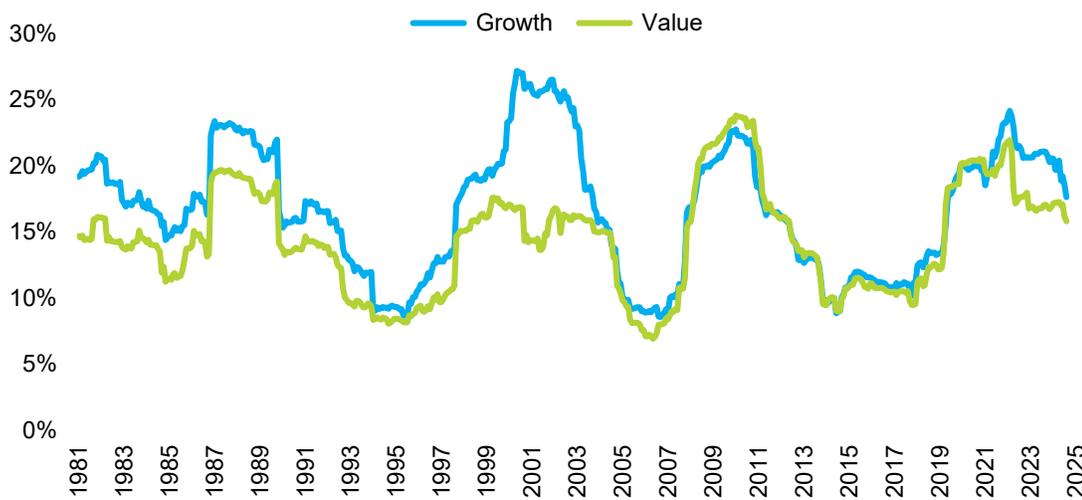


**FIGURE 5**  
Average Annual Returns for Russell Value and Growth Indices

Source: Investment Metrics, as of July 31, 2025. Indices: Russell 3000, Russell 2000, Russell 1000, Growth and Value. For the period from January 1979 to July 2025.

While US growth stocks have produced higher returns, they have exhibited higher volatility than value stocks (see Figure 6). Since January 1979, US growth stocks have exhibited an average annualized volatility of 17.4%, while the annualized average for value stocks was 14.9%. Overall, the risk-adjusted returns favor value, as indicated by its higher Sharpe Ratio (0.48 vs. 0.45).<sup>14</sup> Not surprisingly, volatility increases for both in the small cap universe, at 22.4% for growth and 18.3% value over the full period.

<sup>14</sup> Sharpe ratio calculated using 90-Day US Treasury Bill.



**FIGURE 6**  
Three-Year Rolling Volatility Russell 3000 Growth and Value Indices

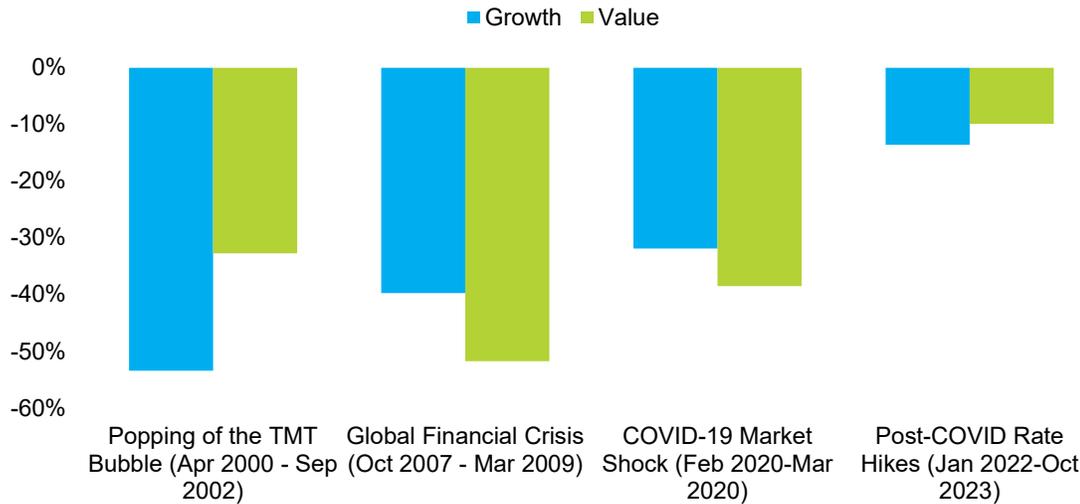
Source: Investment Metrics, as of July 31, 2025. Indices: Russell 3000 Growth and Value. 3-year rolling volatility for the period from December 1981 to July 2025.

## Performance in different economic and market environments

The relationship between macroeconomic conditions and style performance has been mixed. Value stocks are commonly viewed as conservative, with defensive qualities that favor them during market drawdowns. In contrast, growth stocks are seen as more sensitive to environments with lower interest rates and economic expansion. However, historical evidence on this point is inconsistent.

During the Global Financial Crisis (GFC), growth stocks delivered stronger returns than value, as the financial sector was hit particularly hard (see Figure 7). However, during the dot-com crash, value stocks were more resilient as many growth stocks

were prominent among the tech-driven downturn. Similarly, growth stocks fared better during the initial COVID-19 downturn but fared worse during the rate hike cycle that followed the pandemic.



**FIGURE 7**  
Cumulative Performance in Negative Historical Scenarios

Source: Meketa Asset Allocation Tool, as of July 31, 2025. Indices: Russell 3000, Russell 3000 Growth and Value.

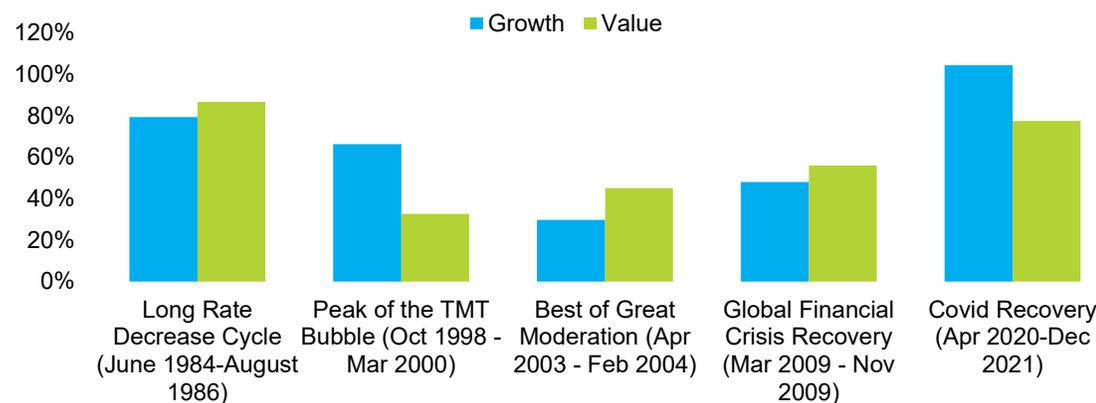
On average, growth has “captured” a higher percentage of market declines than value, while also participating more fully in market upswings (see Figure 8). The combination of both higher upside and downside capture, and a beta above 1.0, highlights growth’s greater sensitivity to market cycles.

	Downside Capture	Upside Capture	Beta
Russell 3000 Growth	112%	108%	1.09
Russell 3000 Value	88%	92%	0.91

**FIGURE 8**  
Upside/Downside Capture and Beta of the Russell 3000 Index

Source: Investment Metrics, monthly returns for the period January 1979 through July 2025. Indices: Russell 3000, Russell 3000 Growth, and Russell 3000 Value.

In positive market scenarios in the last 40 years, such as interest rate cuts, economic recoveries, and periods of higher risk appetite, relative performance has also varied significantly (see Figure 9). Both value and growth stocks have historically benefited from improving economic conditions, with relative performance depending on the specific drivers of economic and market conditions.

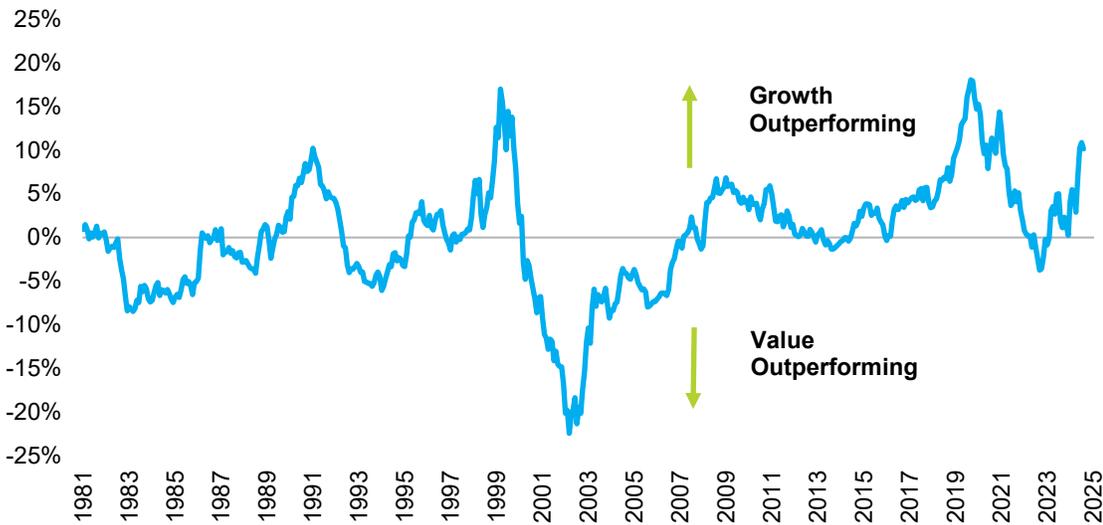


**FIGURE 9**  
Cumulative Performance in Positive Historical Scenarios

Source: Meketa Asset Allocation Tool, as of July 31, 2025. Indices: Russell 3000 Growth and Value.

## History of value and growth cycles

While growth has outperformed value over the past few decades, that has not always been the case. Over time, market leadership has alternated between growth and value stocks, often in extended cycles (see Figure 10).



**FIGURE 10**  
**Three-Year Rolling Excess Returns of US Growth vs. Value Stocks**

Investment Metrics, as of July 31, 2025. Indices: Russell 3000 Growth and Value. For the period January 1979 through July 2025.

One of the longest stretches of growth dominance lasted from mid-2007 to late 2020 (see Figure 11), and it arguably reflects several structural shifts and macroeconomic factors. This period was marked by historically low interest rates and low inflation, conditions that support higher valuations. Innovations in technology - like smartphones, cloud computing, and social media - and the rise of intangible assets such as software and R&D have further boosted valuations in growth-related sectors. Growth indices became increasingly concentrated in the information technology and communication services sectors. Likewise, the growth indices became increasingly concentrated in a few large cap names, most recently culminating in the "Magnificent Seven" companies. Over the past 15 years, growth has pulled away from value, producing annualized returns of 16.9% compared to 11.0% for value.



**FIGURE 11**  
**Relative Performance of Growth vs. Value Stocks post-GFC**

Source: Investment Metrics, as of July 31, 2025. Indices: Russell 3000 Value and Growth. For the period from July 2007 through July 2025. Indexed to 100 at period start, relative performance shows cumulative effect of growth stocks' return less value stocks' return; higher (lower) indicates outperformance of growth (value). Note that this metric is not investable.

## Implementation considerations

Investing in value and growth equities brings implementation issues that investors should consider when constructing a portfolio.

### Strategic versus Tactical Allocations

For a long time, the outperformance of value served as an impetus for many investors to overweight value in their equity portfolios. More recently, as growth stocks have outperformed, many investors have removed that bias and some have even chosen to emphasize growth stocks. However, given the cyclical nature of equity styles, most investors still invest in a mix of both styles.

Some investors may feel they have an edge in being tactical with their growth versus value decision, and the cyclical nature of the markets implies there are substantial rewards for anyone who can be tactical successfully. However, timing any market is challenging, and no clear indicators have emerged that provide guidance on when one cycle is likely to end and another to begin (see the appendix). The only thing that seems certain is that value and growth will continue to move in cycles.

### Active versus Passive Management

The decision of whether to use active or passive management in value or growth equity mandates is not straightforward. Indeed, the relative performance of active managers has historically been cyclical, just like the underlying categories. Before fees, the average active manager has outperformed both in the growth and value categories since 1979<sup>15</sup> (see Figure 12). However, over the last ten years, value managers have produced positive excess returns while growth managers have produced negative excess returns, on average.

Asset Class	Since Inception Median Gross Excess Return (bp)	Trailing 10-year Median Gross Excess Return (bp)
US Value Equity	47	89
US Growth Equity	56	-95
US Large Cap	47	-43

Arguably, the increasing level of concentration in the growth indices over the past decade has made them a much harder hurdle to beat.<sup>16</sup> Indeed, the US large cap equity opportunity set is the only major asset class where average gross excess returns are negative over the past decade.

Despite large differences in the median excess return, growth and value have very similar interquartile ranges. Interquartile spreads can be interpreted as how much potential value lies in selecting superior active managers within each class. In the past ten years, value has had an interquartile spread of 5.5%, little different than growth's 5.4%. The size of these ranges suggests that manager selection remains important in both styles.

<sup>15</sup> The Russell 3000 Index was launched January 1, 1984, whereas Russell 3000 Growth and Value indices were launched on July 1, 1995. All have been back tested to January 1, 1979.

**FIGURE 12**  
**Active Manager Median Outperformance**

Source: Meketa analysis of data from eVestment Alliance. Data as of December 31, 2024. Gross of fees. Note that after fees, the net excess returns will be lower.

<sup>16</sup> Sources: 1) Vanguard, "Less Concentrated Markets Could Buoy Active Managers." March 17, 2025. 2) Morningstar, "Manager Question of the Month: How Active Fund Managers Cope With Index Concentration." April 2021.

## Summary

Value and growth are complementary equity styles contrasted by valuation and earnings-growth expectations. Value stocks have typically carried lower valuation multiples and higher dividend yields. In contrast, growth stocks typically have higher growth expectations for which investors are willing to pay a higher valuation. In terms of sector compositions, value tends to be heavier in financials and industrials while growth is extremely concentrated in the technology and communication services sectors.

Fama-French shows a long-run value premium, while investable indices (e.g., Russell) show that since 1979 the opposite has occurred. There is no argument, however, that in the last 30 years, growth has outperformed value. This is primarily a result of the explosion of the technology sector, the rapid growth of the “Magnificent Seven” and a relatively low-interest rate environment. The historical performance of value and growth indices demonstrates that style leadership tends to be highly cyclical, with cycles lasting multiple years and even decades.

The “value premium” may once have existed, but either has been arbitrated away and/or real-world conditions (e.g., the rise of IT and intangible assets) have caused its demise. Hence, we believe that while value will still have periods of outperformance, investors should not count on a value bias in US equities producing higher long-term returns. Rather, investors should be prepared for cyclicality, and for those cycles to last an extended period.

## Appendix: Drawbacks of the Fama-French Indices

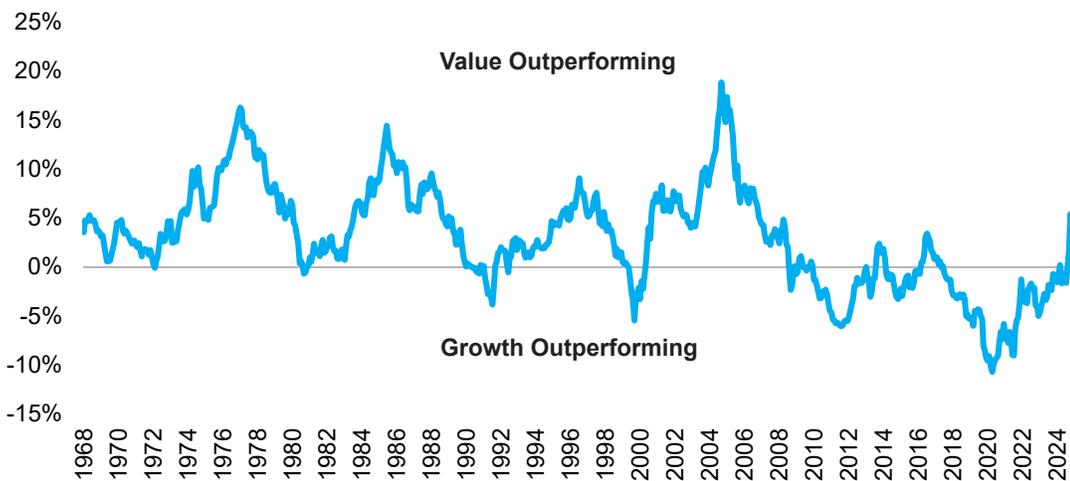
Eugene Fama and Kenneth French are two of the most influential people in finance, known for their role in expanding the concept of factor-based investing. In 1992 they developed a model<sup>17</sup> for equity market returns that consisted of three factors:

- Market excess return: market return minus the risk-free rate
- Size (small minus big): measures the performance of small cap stocks relative to large cap stocks
- Value (high minus low): measures the performance of value stocks (high book-to-market value) to growth (low book-to-market value).

Focusing on the last factor, the Fama-French data series indicates that the value factor has outperformed growth since 1926. The average high minus low (HML) value is 2.9% for the period July 1963 to June 2025.<sup>18</sup>

<sup>17</sup> Source: Fama, Eugene F., and Kenneth R. French. "Common risk factors in the returns on stocks and bonds." *Journal of financial economics* 33, no. 1 (1993): 3-56.

<sup>18</sup> Source: Fama-French Data [http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data\\_library.html](http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html), as of June 30, 2025.



**FIGURE 13**  
**5-Year Rolling Returns**  
**Fama-French High Minus Low**

Fama-French Data [http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data\\_library.html](http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html), as of June 30, 2025. HML data values for the period January 1969 to June 2025.

In the last 20 years, this HML value has been mainly negative (see Figure 13), similar to the underperformance experienced by other value indices. However, Fama-French is the standalone index that argues for a positive value premium since 1979. Besides the difference in the methodologies (i.e., taking just the top and bottom 30%), there is a plethora of research that argues the drawbacks of the Fama-French model. Below is a summary of these critiques.

### → Stock Universe and Small/Microcap Bias

The Fama-French index uses the CRSP database which includes every stock listed on the NYSE, Nasdaq, and NYSE American (formerly AMEX) exchanges. As a result, this includes many small caps, micro-cap, and nano-cap stocks, which are often excluded from investable indices such as the Russell 3000 or S&P 500 due to illiquidity and size constraints. Based on our estimates this could be ~11% of the Fama-French database by their weight in market cap, though this likely varies over time.<sup>19</sup> For the period January 1970 to June 2025 microcap value outperformed growth 15.8% versus 5.5% annualized.<sup>20</sup>

<sup>19</sup> Source: CRSP US Total Market Index and Small/Microcap index, as of July 31, 2025. We divided the Microcap/Small cap index market capitalization by the US Total Market Index to get a value of 11.7%. This is the investable index but is the closest proxy to the CRSP total database which likely includes more micro and small cap stocks.

<sup>20</sup> Fama-French Data [http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data\\_library.html](http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html), as of June 30, 2025. For this analysis, we use equal weight returns from the 10x10 Portfolio based on Size and Book-Value. Microcap growth was defined by ME1-2, BM 1-3, and value is defined ME 1-2, BM 8-10.

### → Exclusion of Negative Book Equity Firms

Firms with negative book equity are excluded from Fama-French portfolios. This exclusion may provide upward bias for the value premium, since some of these excluded companies can continue growing despite weak book-value.

### → Methodology Divergence

The Fama-French index uses strict cutoffs (top/bottom 30%), which exclude the middle 40% of firms and does not allow overlap between value and growth. In contrast, the Russell and S&P 500 style indices allow for firms to appear in both value and growth categories simultaneously.

### → Survivorship Bias

Research has argued that Fama-French dataset suffers from survivorship bias, particularly in high BE/ME portfolios. This may distort historical returns and inflate the value premium.<sup>21</sup>

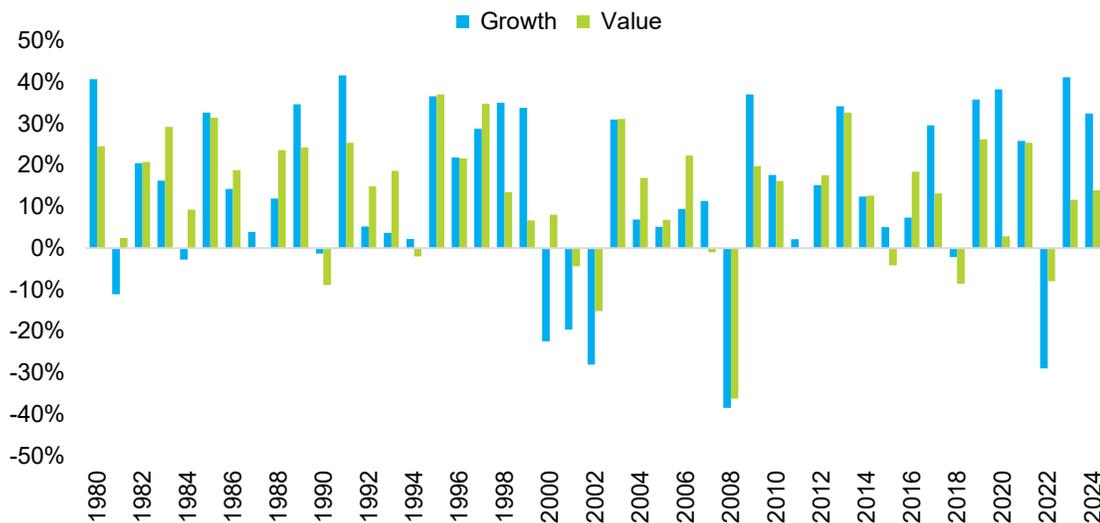
<sup>21</sup> Source: Kothari, Sagar P, Jay Shanken, and Richard G. Sloan. "Another look at the cross-section of expected stock returns." The journal of finance 50, no. 1 (1995): 185-224.

## Historical Returns

Index	Average Annual Return (%)	Annualized Standard Deviation (%)	Time Period
Fama-French Growth	10.1%	18.4%	1926 - 2025
Fama-French Value	12.8%	24.9%	1926 - 2025
Fama-French Growth	12.5%	16.3%	1979 - 2025
Fama-French Value	13.7%	17.6%	1979 - 2025
Fama-French Small Cap Growth	8.7%	25.8%	1926 - 2025
Fama-French Small Cap Value	14.1%	28.1%	1926 - 2025
Fama-French Large Cap Growth	10.2%	18.3%	1926 - 2025
Fama-French Large Cap Value	12.2%	24.6%	1926 - 2025
Russell 3000 Growth	12.2%	17.4%	1979 - 2025
Russell 3000 Value	11.7%	14.9%	1979 - 2025
Russell 1000 Growth	12.5%	17.2%	1979 - 2025
Russell 1000 Value	11.6%	14.9%	1979 - 2025
Russell 2000 Growth	9.4%	22.4%	1979 - 2025
Russell 2000 Value	11.9%	18.3%	1979 - 2025
S&P 500 Growth	12.3%	16.2%	1975 - 2025
S&P 500 Value	12.1%	15.2%	1975 - 2025
MSCI US Growth	11.2%	17.9%	1992 - 2025
MSCI US Value	9.9%	14.5%	1992 - 2025

**FIGURE 14**  
**Historical Returns of Various US Value and Growth Stock Indices**

Sources: Fama-French and Investment Metrics, as of July 31, 2025. For the MSCI US Style indices the period is June 1992 to July 2025. For Fama-French it is July 1926 or January 1979 to June 2025. All others it is from January 1979 to July 2025.

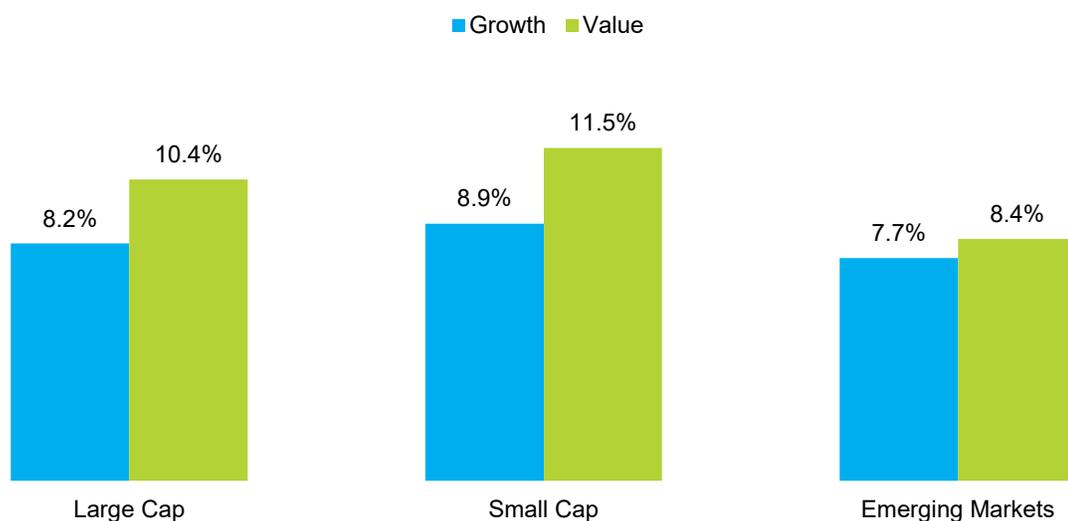


**FIGURE 15**  
Annual Returns for  
Russell 3000 Value and  
Growth

Source: Investment Metrics, as of July 31, 2025. Indices: Russell 3000, Russell 2000, Russell 1000, Growth and Value. For the period from January 1979 to July 2025.

## Historical Performance Outside the US

The value versus growth story outside the US diverges meaningfully from that in the US, particularly since the GFC for investable indices. Value stocks have outperformed growth stocks in developed foreign markets (i.e., outside of North America), and unlike the US, this trend has not reversed over recent decades. For the period from January 1975 to July 2025, large cap value stocks produced an annualized average return of 10.4%, higher than growth's 8.2%. Likewise, value outperformed growth in non-US small cap stocks. Finally, for emerging markets, value stocks also outperformed growth stocks, but with a smaller margin of about 67 basis points on average.

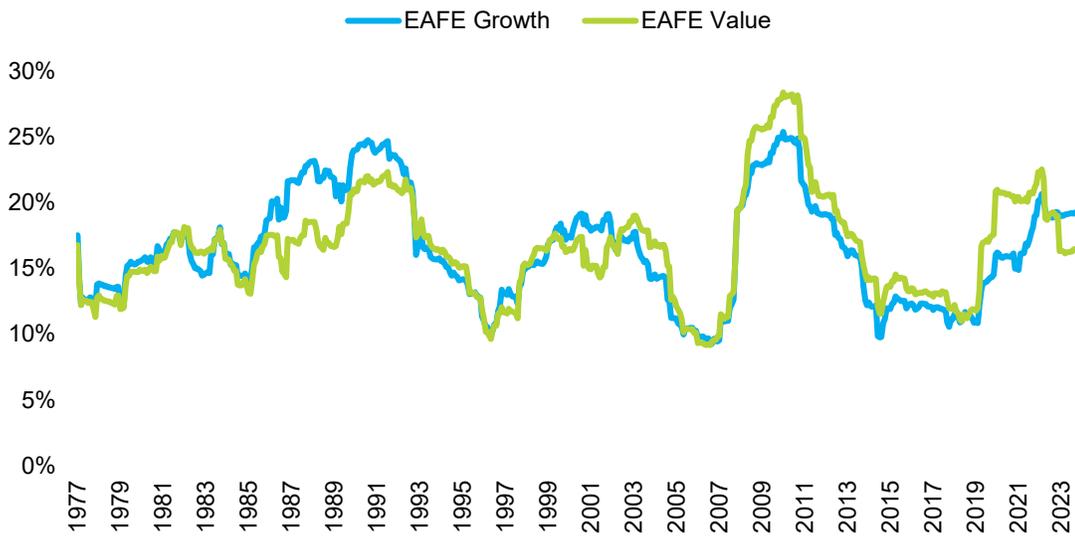


**FIGURE 16**  
Average Annual Returns  
Equities ex-US (1975-  
2025)

Source: For foreign developed markets, the IIA International indices were used from January 1975 to June 1997. From July 1997 through July 2025, MSCI EAFE Value (Net), MSCI EAFE Growth (Net), MSCI EAFE Small-Cap Value (Net), MSCI EAFE Small-Cap Growth (Net), MSCI EAFE EM Value (Net), MSCI EAFE EM Growth (Net) Indices were used. The period measured for emerging markets is January 2001- July 2025.

Over the same period, large cap growth and value stocks have exhibited a level of volatility quite similar to each other, with an average annualized volatility of 17.2% for both.<sup>22</sup>

<sup>22</sup> Source: Investment Metrics, monthly returns for the period January 1975 to June 2025. Indices: MSCI EAFE Value (Net), MSCI EAFE Growth (Net).



**FIGURE 17**  
**Three-Year Rolling**  
**Volatility for MSCI EAFE**  
**Value and Growth Indices**

Source: Investment Metrics, monthly returns for the period January 1975 to July 2025. 3-Year Rolling Volatility taken from December 1977 onwards. Indices: MSCI EAFE Value (Net), MSCI EAFE Growth (Net).

### Tactical Considerations: The Environment as of 2025

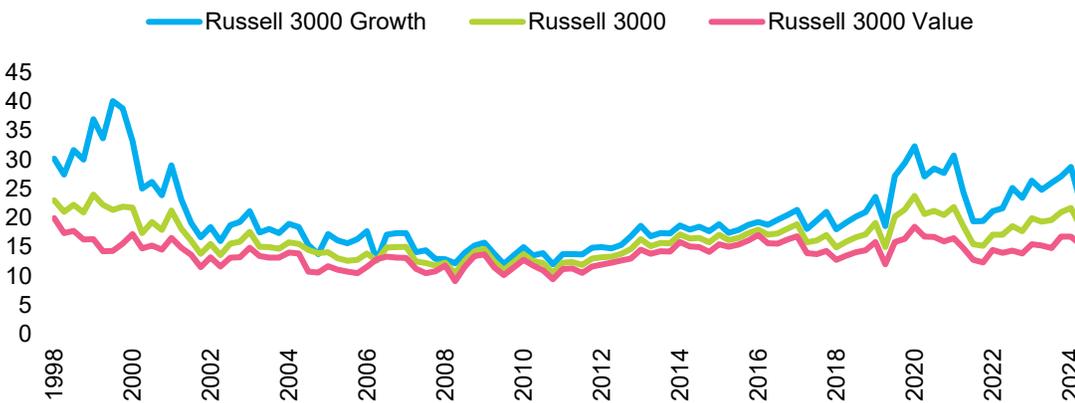
The most recent growth cycle was one of the longest in history. However, unlike prior cycles, such as from 2000-2007, this last cycle has shown more oscillation between value and growth. In contrast, during the time period between the end of the dot-com bubble and the beginning of the Global Financial Crisis, there was a strongly defined period of value outperforming growth.

Leading up to the dot-com crash in March 2000, elevated investor optimism regarding future earnings growth, particularly in the rapidly expanding technology sector, drove the forward P/E of the Russell 3000 to a peak of 24.0x.<sup>23</sup> However, the market environment following the dot-com crash was marked by significant valuation compression. This period culminated in the GFC, which disproportionately affected sectors typically associated with the value universe (e.g., financials).

<sup>23</sup> This value was observed in 12/31/1999.

Today, there are notable parallels taking place. As of July 31, 2025, the forward P/E ratio of the Russell 3000 stands at 21.3x, reflecting elevated valuation levels. While this figure has fallen since its high in late 2020, it is still notably above its long-term average (see Figure 18).<sup>24</sup> Moreover, the gap between the forward P/E of the Russell 3000 Growth to the Russell 3000 Value is also above its long-term average.

<sup>24</sup> The Forward P/E for the Russell 3000 was 23.8x on December 31, 2020.

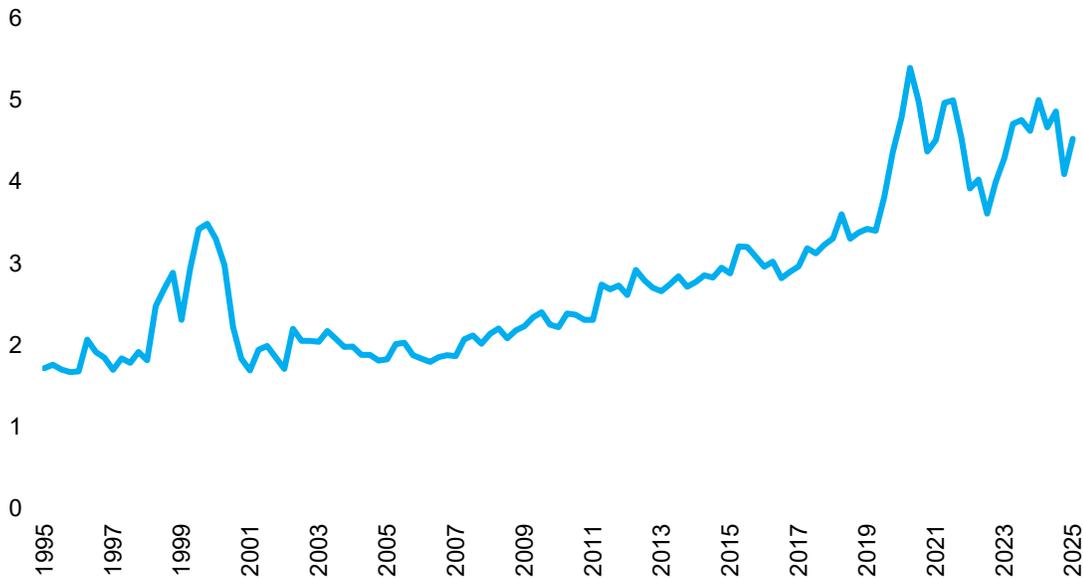


**FIGURE 18**  
**Forward P/E Ratios**

Source: Bloomberg, quarterly returns for the period June 30, 1995, to June 30, 2025. Indices: Russell 3000 Growth, Russell 3000 Value, Russell 3000. Used Bloomberg EPS estimates over the next 12 months as a metric for the forward P/E (BEST 2GY).

However, elevated P/E ratios among growth names do not inherently imply that growth is expensive and that a cycle of value outperformance is impending. Unlike in 2000, many of today's top growth names are large cap technology companies that have strong earnings and cash flow, rather than the speculative growth companies that led to the dot-com bubble.

In addition to the high P/E ratios, the relative P/B ratios have made similar moves (see Figure 19). The two major points of contrast are the gradual upward climb in relative P/B ratios from 2000 to 2020, and the fact that the 2020 peak was well above that of the dot-com bubble.



**FIGURE 19**  
**Ratio of Growth P/B**  
**relative to Value P/B**

Source: Bloomberg, data as of June 30, 2025, for the Russell 3000 Growth and Value Indices.

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